

**FOR DISCUSSION ONLY.
SAMPLE FORMAT**

M. L. C. # 2 PROGRAM

(Morrell Ledger Contract)

WHO MAY PARTICIPATE

Producers who are currently enrolled in either the M.V.P or M.L.C.

HOW THE PROGRAM WORKS

1. Producers that pay down the existing ledger balance by 50%
Are entitled to participate in the M.L.C.# 2 Contract for 36 months.
2. Payment of 75% entitles them to a M.L.C.# 2 Contract of 42 months.
3. Payment of 100% entitles them to a M.L.C. #2 Contract for 48 months.
4. Morrell will reduce the amount of the paydown by 10% and credit the ledger balance for the full amount. i.e., \$500,000 balance, 50% payment equals \$250,000 less 10% (\$25,000) equals \$225,000 to Qualify as 50% payment.
5. At the beginning of the new contract period, the producer's ledger account may have a carry forward balance from the existing contract.
6. The ledger balance due from the Producer may be limited to a maximum of 100% of net worth or \$15.00 per head based on delivered hogs.

ADDITIONAL REQUIREMENTS

1. Producers agree to provide a copy of their most recent financial disclosure and annually thereafter unless requested with greater frequency.
2. Producer agrees to issue a Personal Guarantee for any debt due John Morrell & Co. arising from the ledger contract.
3. A participating producer agrees to sell 100% of his production of market hogs to Morrell for the contract period that this program is in effect. During this period, the contract price for the producer's hogs will be not less than an established price of \$36.00/cwt. Morrell will maintain a separate ledger account reflecting Morrell's purchases of market hogs from the producer. At the beginning of the contract period, the producer's ledger account may have a balance of zero but at any time during the contract period, the account may only reflect a balance due Morrell or zero. It will not reflect a balance due the producer from Morrell.